

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-09 ISO-00 CIAE-00 DODE-00 PM-04
H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01
SP-02 SS-15 USIA-15 AID-05 EB-07 EPG-02 TRSE-00
STR-04 OMB-01 CEA-01 COME-00 FRB-01 XMB-04
OPIC-06 LAB-04 SIL-01 AGRE-00 /124 W
-----105220 280254Z /63

P R 270955Z JUN 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC PRIORITY 5187
INFO AMCONSUL CALCUTTA
AMEMBASSY ISLAMABAD
AMEMBASSY LONDON
AMEMBASSY NEW DELHI
AMEMBASSY MANILA
AMEMBASSY PARIS

UNCLAS SECTION 1 OF 2 DACCA 3458

USOECD

PASS TO AID/ASIA/BIS

MANILA FOR USADB

E.O. 11652: N/A
TAGS : EAGR, EAID, EFIN, BG
SUBJECT : BANGLADESH BUDGET 1977-78: PART II: FOOD POLICY

REF : DACCA 3457

1. SUMMARY: THIS SECOND OF THREE MESSAGES ON THE BANGLADESH 1977-78 BUDGET, COVERS THE FOOD BUDGET AND FOOD POLICY STATEMENTS IN THE BUDGET SPEECH. THE BUDGET SPEECH CONTAINS A HINT OF A FOODGRAIN RATION PRICE RISE IN FY 1978. IF IMPLEMENTED SUCH AN INCREASE IN THE RATION PRICE WOULD HELP
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PROVIDE AN INCENTIVE PRICE TO GROWERS AND CONTRIBUTE TO ACHIEVING THE GOAL OF FOODGRAIN SELF-SUFFICIENCY. END SUMMARY.

2. THE SUMMARY FOOD BUDGET FOR 1976/77 AND 1977/78 FOLLOWS. (ALL FIGURES DOLLARS MILLION AT TAKA 15.5 EQUALS ONE DOLLAR.):

1976/77	1976/77	1977/78
(BE)	(RE)	(BE)

EXPENDITURE

IMPORTS AGAINST FOREIGN AID	292	123	289
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EXPENDITURE FROM OWN

RESOURCES	273	204	271
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GROSS OUTLAY	565	327	561
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RECEIPTS

SALE PROCEEDS	291	248	277
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VALUE OF FOODGRAINS

DELIVERED AS WAGES	26	20	26
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FOOD FOR WORK PROGRAMS

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SUBSIDY FROM REVENUE

ACCOUNT	54	49	45
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OTHER MISCELLANEOUS

RECEIPTS	12	8	8
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TOTAL RECEIPTS	383	325	356
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NET OUTLAY	182	2	205
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3. BUDGET FIGURES: INTERPRETATION NEEDED. WE HAVE DUTI-FULLY QUOTED THE SUMMARY FOOD BUDGET ABOVE, BUT IT IS NOT VERY HELPFUL IN THIS FORM. IT CAN BE UNDERSTOOD ONLY WHEN THE UNDERLYING ASSUMPTIONS CONCERNING ACTUAL CASH EXPENDITURES ON COMMERCIAL IMPORTS AND TRANSPORTATION, TOGETHER WITH QUANTITIES TO BE SOLD, ARE KNOWN. WE HOPE TO BE ABLE TO OBTAIN THIS DATA AND TO ANALYZE THESE NUMBERS IN A SEPARATE CABLE LATER. SUFFICE IT TO NOTE

THAT SALES PROCEEDS EXCEEDED EXPENDITURES FROM BDG RESOURCES BY DOLS 44 MILLION IN 1976/77 (RE) OR ABOUT 7 PERCENT OF REVENUE BUDGET RECEIPTS, THE TOTAL OF REGULAR DOMESTIC BDG REVENUES.

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4. FOOD POLICY. QUOTE, THE BUDGET FOR THE YEAR 1977-78 HAS BEEN PREPARED KEEPING IN VIEW THE NEED FOR CONTINUED MONETARY AND PRICE STABILITY. PRICE STABILITY WILL BE ESSENTIAL FOR AN ORDERLY GROWTH OF THE ECONOMY AND IMPLEMENTATION OF THE ANNUAL DEVELOPMENT PROGRAM IN 1977-78. THE KEY ELEMENT WILL BE THE FOOD PRICE. CONSISTENT WITH GOVERNMENT POLICY INTERNAL PROCUREMENT WILL BE STEPPED UP TO PROVIDE SUPPORT TO THE FARMERS. IT IS INTENDED TO EXCEED THE PAST LEVELS OF INTERNAL PROCUREMENT AND GOVERNMENT HAVE ALREADY ANNOUNCED A HIGHER INCENTIVE PRICE FOR THE AMAN CROP. THE EXISTING SYSTEM OF INTERNAL PURCHASES OF FOODGRAINS HAS SOME WEAKNESSES. GOVERNMENT'S OBJECTIVE IS THAT THE BENEFIT OF INCENTIVE PRICE SHOULD REACH THE PRODUCERS. TO ENSURE THIS THE FOOD MINISTRY AND ITS PROCUREMENT MACHINERY WILL BE APPROPRIATELY REORGANIZED. THE SERVICES OF THE UNION PARISHADS AND THANA PARISHADS WILL BE CALLED FOR IN THE

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PROCUREMENT PROCESS. IT IS WELL KNOWN THAT IN RECENT YEARS THE GAP BETWEEN OUR OWN PRODUCTION AND TOTAL REQUIREMENT OF FOOD HAS BEEN MET LARGELEY FROM FOREIGN AID. WE TAKE THIS OPPORTUNITY TO EXPRESS OUR THANKS TO THE MEMBERS OF THE BANGLADESH AID GROUP AND OTHER FRIENDLY COUNTRIES AND AGENCIES WHO HAVE PROVIDED FOOD AID TO US. EXTERNAL AS WELL AS INTERNAL PROCUREMENT OF FOOD AND THEIR DISTRIBUTION THROUGH THE RATIONING SYSTEM INVOLVES A DISPROPORTIONATE AMOUNT OF SUBSIDY WHICH IS PUTTING A HEAVY PRESSURE ON GOVERNMENT'S BUDGETARY RESOURCES. AT THE SAME TIME IT HAS BEEN RECOGNIZED BY THE GOVERNMENT THAT THE BENEFIT OF THIS SUBSIDY GOES ONLY IN A LIMITED WAY TO THE LESS FORTUNATE SECTION OF OUR PEOPLE LIVING IN THE RURAL AND SEMI-URBAN AREAS. WITH INCREASE IN PRODUCTION AND GOVERNMENT'S DECISON TO MAINTAIN A SATISFACTORY LEVEL OF STOCKS IT SHOULD BE POSSIBLE TO MODIFY THE RATIONING SYSTEM AND INCREASINGLY TO CATER THE NEEDS OF THE LESS FORTUNATE GROUPS. THE BURDEN OF SUBSIDY CANNOT BE BORNE ON THE GOVERNMENT BUDGET FOR ALL TIME. THE FARMERS' COST OF PRODUCTION AS WELL AS THE COST OF INTERNAL PROCUREMENT BY THE GOVERNMENT IS ON THE INCREASE. IMPORT UNDER AID ALSO AT TIMES INVOLVES COSTS HIGHER THAN THE DOMESTIC SALE PRICES. CONSIDERING THESE FACTS WE MUST BE PREPARED GRADUALLY TO PAY HIGHER PRICES FOR FOODGRAINS. THE SUREST WAY TO KEEP PRICES AT REASONABLE LEVELS WILL BE TO INCREASE DOMESTIC PRODUCTION AND TO BUILD UP GOVERNMENT STOCKS. IT HAS BEEN DECIDED THAT FOOD STOCKS AT THE END OF THE YEAR 1977-78 WILL BE RAISED TO A LEVEL OF 10 LAKH TONS, UNQUOTE.

5. COMMENT: THIS IS A WELCOME STATEMENT. WE INTERPRET QUOTE, WE MUST BE PREPARED GRADUALLY TO PAY HIGHER PRICES

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FOR FOODGRAINS, UNQUOTE AS A CLEAR HINT THAT RATION PRICES ARE TO BE INCREASED SOMETIME DURING FY 1978, PERHAPS DURING THE AMAN HARVEST. WE EXPECT TO LEARN MORE ABOUT FOODGRAIN QUANTITIES AND PRICES UNDERLYING THE NUMBERS QUOTED ABOVE, AND TO BE ABLE TO MAKE A BETTER JUDGMENT ABOUT POSSIBLE RATION PRICE RISES LATER.

MASTERS

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